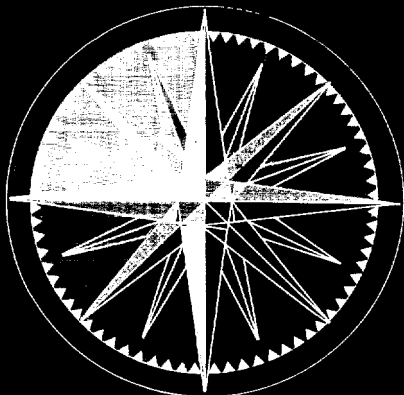


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SPECIAL REPORT

CHINESE COMMUNIST INFLUENCE IN NEPAL

CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

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7 May 1965

CHINESE COMMUNIST INFLUENCE IN NEPAL

Communist China has been endeavoring to establish a position of influence in Nepal since at least 1950. Besides cultivating Nepalese good will through attractive grant aid offers, the Chinese may also have infiltrated agents into key government positions. At the same time they have expanded their control over the small and divided Communist Party of Nepal. These efforts, conducted with circumspection and restraint, have enabled the Chinese to acquire some influence in the palace and to lay the groundwork for future subversion while maintaining a reputation among many Nepalese as a peace-loving and benevolent people.

Indian vs. Chinese Influence

The Chinese Communists have acquired this image in the fifteen years since their invasion of bordering Tibet and more especially in the five years that they have maintained an embassy in Katmandu. A limited Chinese presence has been welcomed by many non-Communist Nepalese leaders, because of their preoccupation with the problem of limiting Indian influence.

For centuries, Nepal has countered what it believes to be an Indian threat to its independence by isolating itself or, when the Chinese exercised substantial power in Tibet, by using China as a counterweight to India. Moreover, Nepal desired good relations with the Chinese out of fear. In 1950 a vigorous Chinese presence was re-established in Tibet, while at the same time Nepal re-emerged from more than a century of self-imposed isolation. A renascent China in Tibet, the reopening of Nepal to foreign contacts, and

the major involvement of New Delhi in internal Nepalese matters all set the stage for closer Sino-Nepalese relations.

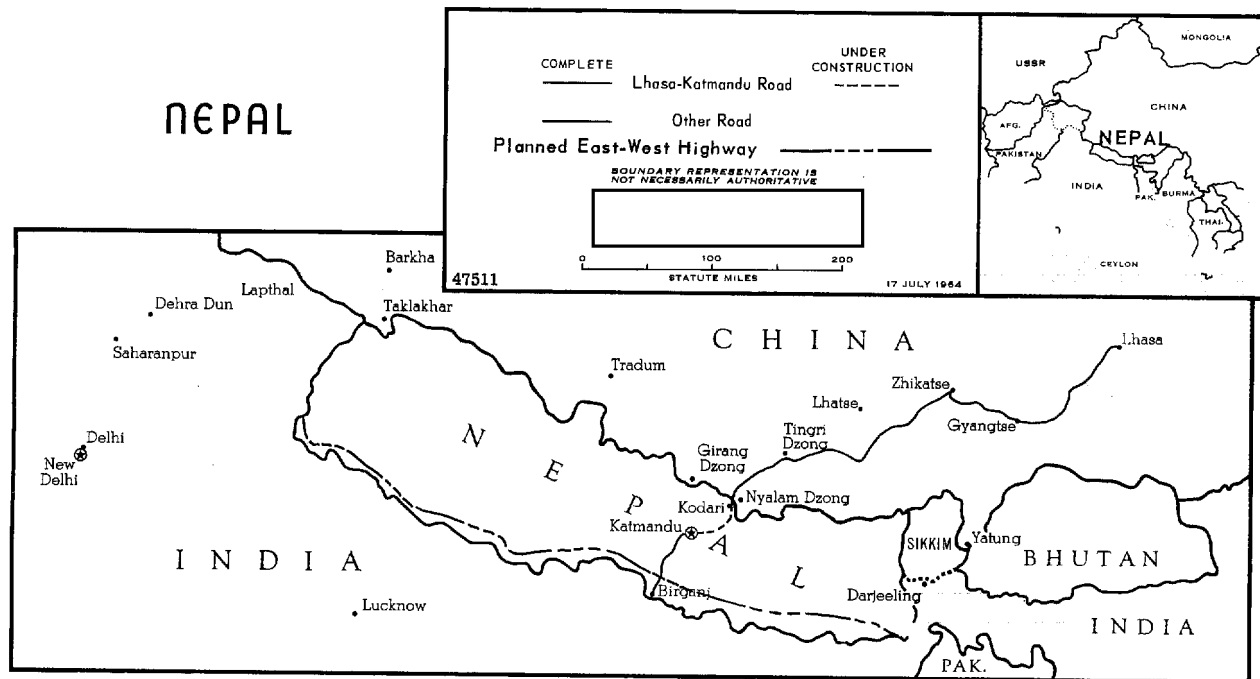
In the early 1950s, the Chinese had little influence in Nepal. One Nepalese premier, K. I. Singh, attempted to seize control of the government in 1952 with Communist support, and, upon the failure of his attempt, fled to Tibet. However, the acute instability that characterized Nepal's domestic politics from 1950 to 1955 was not a product of Communist manipulation.

In February 1955, King--then crown prince--Mahendra instituted direct rule under the constitution through a new cabinet system. The next month ailing King Tribhuvan died, and Mahendra ascended the throne. Desiring to counter Indian influence and also trying to strengthen his own hand, the new King soon recognized and established diplomatic relations with Peiping. After five more years of continued instability, in

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CHINESE COMMUNIST AID TO NEPAL

Under construction

- Katmandu-Kodari road (now suitable for jeep traffic)
- Leather tanning and shoe factory, Katmandu

Planned

- Brick and tile factory, Katmandu
- Warehouse, Birganj
- Warehouse, Katmandu
- 100-mile trunk road connecting Katmandu with other sections of the Inner Himalaya
- Ring road project around Katmandu
- Hydroelectric project

Other Aid

- Three 10-seater "Harvester" AN-2 Colt biplanes
- \$13 million in 1956 as nonproject aid
- Sheep for slaughter at Nepalese festival of Durga
- 20 two-way radio sets
- Material for military uniforms
- Training of about 50 students now in China

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December 1960 Mahendra suspended the constitution, outlawed all political parties, and began ruling entirely on his own.

In early 1961, Indian Prime Minister Nehru began supporting exiled Nepalese antiroyalist insurgents. These insurgents continued raiding into Nepal from Indian territory until Nehru, desiring to improve his relations with Nepal after the Chinese invasion, withdrew Indian support and sanctuary from them. The rebels, called the Nepali Congress, have not been a major security problem since that time.

India further attempted to improve relations with Nepal by treating it as a fully independent country, rather than as a semiprotectorate as in the past. India also increased its economic and military aid while reaffirming its pledge to protect Nepal from any--i.e., Chinese--aggression. The Nepalese nevertheless believe Indian aid to be minimal and in any event directed at Indian rather than Nepalese interests. They also sensed that the Indians still do not accept Nepal as a fully sovereign nation.

During the 1960-65 period the Chinese remained prudently in the background while extending \$30 million in grants/

Restraint and tact in dealing with the sensitive Nepalese have probably also won friends and some agents for the Chinese. In all, Chinese aid has totaled \$43.4 million.

Chen Yi Visit to Katmandu

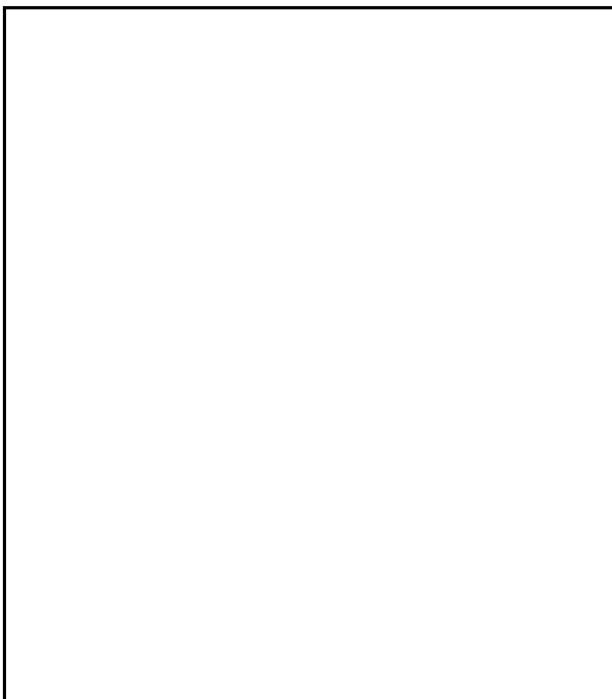
Chinese restraint was severely tested during Foreign Minister Chen Yi's visit to Katmandu in March, when the Nepalese reneged on a substantial aid agreement with Peiping. Nearly a year ago, the Nepalese accepted a Chinese offer to build a \$20-million, 100-mile portion of a highway running along the Nepalese-Indian border and a related irrigation project. Surveying had already begun, and the Chinese could have expected to gain considerable good will, as well as opportunities for intelligence collection and subversion, by their association with the highway. Under considerable pressure from New Delhi, however, the Nepalese turned the two projects over to the Indian Government, which will be assisted by the United States.

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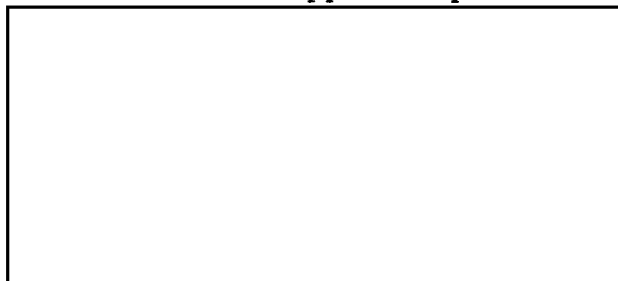
Present Extent of
Chinese Influence

Chinese control of a faction of the Communist Party of Nepal--with its attendant capacity for activity against the King--was probably a significant but unmentioned factor in Mahendra's discussions with Chen Yi. The party's pro-Peiping faction is composed of about 250 members and enjoys the support of some 3,500 sympathizers. (The pro-Moscow faction is about the same size.) Although many pro-Peiping leaders are exiled in India, their faction continues to function within Nepal and now is attempting to infiltrate Mahendra's land reform and rural development program.



In Katmandu, as well as along the 65-mile road which the Chinese are building from Katmandu to the Tibetan border, the Chinese Communists have been assiduously cultivating Nepalese of all levels. The primitive people along the border, moreover, are susceptible to Chinese propaganda.

Peiping's principal target, however, is probably Mahendra himself, whose authority is almost unchallenged and whose interests extend to all matters of importance as well as to many of lesser significance. Mahendra--reared entirely in Nepal--keeps his own counsel and his policies are often formed without apparent plan.



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Mahendra fears the Chinese and probably realizes the danger they pose. He is unsophisticated regarding Communist subversive techniques, however, and his security forces are ill trained, poorly organized, and badly equipped. Moreover, like other Nepali leaders in the past, the King probably feels that India presents at least as great a danger to his country's independence as does China. With few exceptions, the Chinese have acted with propriety, whereas Mahendra probably still remembers India's support to the

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antiroyalist insurgents. Another factor influencing the King may be a belief that Chinese industry, intelligence, and integrity are superior to those of the Indians. His balancing, or possibly overbalancing, of the Indian presence in Nepal with Chinese personnel and money is thus likely to continue.

Despite his shortcomings, the King's cautious attitude

toward the Chinese and the public's adoration of him will probably keep Chinese influence marginal in the immediate future. Failure of his ambitious land reform program or his death or incapacitation, however, would create a new political situation which might well be highly susceptible to Chinese exploitation. 25X1

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